ANNUAL REPORT
1983-84

Alberta Petroleum Incentives Program Fund

ENERGY AND NATURAL RESOURCES
Alberta Petroleum Incentives Program

ALBERTA PETROLEUM INCENTIVES PROGRAM (APIP)

Mailing Address
855 - 8th Avenue S.W.
Calgary, Alberta
T2P 3P1

Enquiries
Telephone (403) 297-4296

Additional copies of this annual report may be obtained from
Communications Branch
Alberta Petroleum Incentives Program
5th Floor, 855 - 8th Avenue S.W.
Calgary, Alberta
T2P 3P1

ISBN 0-86499-982-8
ISSN 0828-945X
EMR Report No. I-III

Alberta
ENERGY AND NATURAL RESOURCES

Office of the Minister

407 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-3740

March 1985

The Honourable G. Amerongen
Speaker of the Legislative
Assembly of Alberta

Sir.

In accordance with section 2(6) of the Petroleum Incentives Program Act, I have the honour to submit the third annual report of the Alberta Petroleum Incentives Program Fund for the fiscal year ended March 31, 1984.

Respectfully submitted,

John Zaozirny
Minister of Energy and
Natural Resources

Alberta

ENERGY AND NATURAL RESOURCES

403/427-7727
Telex 037-3676
Petroleum Plaza South Tower
9915 - 108 Street
Edmonton, Alberta, Canada
T5K 2C9

Deputy Minister
of Energy Resources

March 1985

The Honourable J. Zaozirny
Minister of Energy and Natural Resources
407 Legislature Building
Edmonton, Alberta
T5K 2B6

Sir:

I have the honour of presenting to you the third annual report of the Alberta Petroleum Incentives Program Fund for the fiscal year ended March 31, 1984.

Respectfully submitted,

G.B. Mellon

G.B. Mellon
Deputy Minister
Energy Resources

Contents

	Page
General Background Information	7
Summary of Activities	8
Auditor's Report	9
Financial Statements	10
Notes to Financial Statements	11
Appendix — Summary of Incentive Grants	12

General Background Information

The Alberta Petroleum Incentives Program (APIP) was created by the Petroleum Incentives Program Act passed by the Alberta Legislature in November 1981, subsequent to the Canada/Alberta Memorandum of Agreement Relating to Energy Pricing and Taxation signed in September 1981. Under the terms of the Agreement, Alberta undertook to administer and fund the portion of the federal Petroleum Incentives Program applying to oil and natural gas exploration and development activities in Alberta. The federal Petroleum Incentives Program was created in October 1980 to provide cash grants to Canadian owned and controlled companies in lieu of the earned depletion allowances provisions of the corporate income tax system.

APIP's objective is to encourage the exploration and development of Alberta's petroleum and natural gas resources. The program also supports work on enhanced oil recovery projects. Under the program, eligible applicants may obtain APIP incentive payments equal to a percentage of their incurred eligible costs and expenses, including exploration and development expenses for oil and gas wells; geological and geophysical expenses; and development drilling and asset costs related to enhanced oil recovery projects.

In accordance with the legislation creating APIP, costs and expenses eligible for APIP incentives must be incurred during the period commencing January 1, 1981 and ending December 31, 1986. The APIP office is located in Calgary, where the majority of headquarter operations associated with Alberta's oil and gas industry are located.

Fiscal Year 1983-84 . . . a year in review

Fiscal Year 1983-84 saw continued consolidation and streamlining of administrative procedures and continued growth in the number of applications received. During the year, 6,793 applications were received, compared to 3,533 applications in fiscal year 1982-83, the first year applications were received. Since the program's inception in November 1981 to March 31, 1984, 3,671 applicants have applied to APIP and have filed 10,326 applications for incentives.

Incentives paid during fiscal year 1983-84 totalled $511.9 million, compared to $326.2 million in fiscal year 1982-83.*

For the fiscal year ended March 31, 1984, a breakdown of major incentive payments by activity is as follows: exploration, $351,886,316; development, $90,046,359; and geophysical, geochemical and geological activities, $57,833,394. A comparable breakdown for the fiscal year ended March 31, 1983 is as follows: exploration, $252,617,969; development, $40,120,614; and geophysical, geochemical and geological activities, $29,000,792.

During the 1983-84 fiscal year, two of APIP's major thrusts were to reduce the complexity of the program's regulations and to simplify the procedures for applicants making incentive claims. In part this was achieved by amendments to the Regulation governing the administration of the Alberta Petroleum Incentives Program Fund. The amendments were received with enthusiasm by the oil and gas industry.

The first amendment dealt with the problem of administrative expenses. Definition of these expenses has historically been a problem for companies in the oil and gas industry in dealing with such bodies as the federal Petroleum Incentives Program, APIP and Revenue Canada. As a result of an amendment, APIP developed an overhead expense policy that has cleared up many of the difficulties associated with submitting claims for eligible administrative expenses under APIP.

A second major change to the Regulation occurred in October when APIP raised the program's threshold limit. Threshold limit is the maximum amount of costs and expenses on which an applicant can make incentive claims during a fiscal year without having to apply the program's adjustment rules. The adjustment rules implement certain Canadianization aspects of the incentives program by penalizing the transfer of benefits from Canadian to non-Canadian entities. Under the amended regulation, the threshold limit was raised to $3 million from $500,000. With the implementation of this higher ceiling, over 90 per cent of APIP's applicants are now exempt from the adjustment rules.

Other amendments in October and December simplified the application process and defined APIP's relationship with other incentive programs. New application forms and a guide were developed to accommodate amendments to the Regulation, to reduce the amount of paperwork for applicants, and to allow APIP to computerize its manual assessment systems.

**The figures contained in the audited financial statements on page 10 take accruals into account. See Appendix I on page 12 for a comparison of incentives paid by cash and by accruals.*

ALBERTA LEGISLATURE

OFFICE OF THE AUDITOR GENERAL

AUDITOR'S REPORT

To the Minister of Energy and
Natural Resources

I have examined the balance sheet of the Alberta Petroleum Incentives Program Fund as at March 31, 1984 and the statement of revenue and expenditure for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at March 31, 1984 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

F.C.A.
Auditor General

Edmonton, Alberta
September 28, 1984

Statement A

Alberta Petroleum Incentives Program Fund
Balance Sheet
As at March 31, 1984

	1983
ASSETS	
Current:	
Deposit in the Consolidated Cash Investment Trust Fund	$ 2,370,442
Incentive grant overpayments receivable, including accrued interest (less allowance for doubtful accounts of $2,082,282; 1983 Nil)	844,319
Due from the General Revenue Fund	366,060,836
	$369,275,597
LIABILITIES	
Current:	
Incentive grants payable	$369,274,597
Deferred revenue	1,000
	$369,275,597

The accompanying notes on page 11 are part of these financial statements.

Statement B

Alberta Petroleum Incentives Program Fund
Statement of Revenue and Expenditure
For the year ended March 31, 1984

	1983
REVENUE	
Transfer of non-renewable resource revenue from the General Revenue Fund	$682,615,235
Interest income	1,572,418
Fees for advance rulings	1,800
	684,189,453
EXPENDITURE	
Incentive grants:	
Exploration	523,209,487
Development	82,290,903
Geophysical	60,628,508
Unit agreement	5,838,328
Asset cost	5,667,828
Drilling contribution	—
	677,635,054
Administration and other expenses (Note 3)	6,554,399
Provision for doubtful accounts	—
	684,189,453
	$ --

Alberta Petroleum Incentives Program Fund
Notes to the Financial Statements
March 31, 1984

Note 1: Authority

The Alberta Petroleum Incentives Program Fund operates under the authority of the Petroleum Incentives Program Act, Chapter P-4.1, Statutes of Alberta 1981.

Note 2: Significant Accounting Policies and Reporting Practices

Incentive grants

Incentive grant applications received prior to June 30 in respect of expenditures made by industry to the fiscal year end of the Fund are recorded as expenditures of that fiscal year.

Applications approved by March 31 are recorded at the amount of the grant paid, after giving effect to an adjustment for certain grants which were not subject to full assessment procedures. Those applications received but not approved by March 31 and applications received between April 1 and June 30 are recorded at 94.9% (1983 - 93.5%) of the application amount to allow for adjustments which are normally required.

Changes in Financial Position

A statement of changes in financial position is not provided as disclosure in these financial statements is considered to be adequate.

Note 3: Administration and Other Expenses

Administration and other expenses are charged to the Fund pursuant to section 3(8) of the Act. Costs incurred during the year ended March 31, 1984 by the General Revenue Fund in connection with the administration of the Fund are summarized below.

	1983
Salaries, wages and payments to contract employees	$3,439,462
Professional, technical and labour services	1,267,890
Data processing services	81,528
Employee benefits	305,277
Materials and supplies	359,186
Equipment purchases	602,820
Rentals	157,351
Travel expenses	243,519
Advertising	19,612
Repairs and maintenance	7,931
Allowances and supplementary benefits	36,757
Telephone and communications	12,727
Freight and postage	17,186
Hospitality	2,960
Insurance	98
Other purchased services	95
	$6,554,399

Note 4: Comparative Figures

The 1983 figures have been restated where necessary to conform to 1984 presentation.

Note 5: Approval of Financial Statements

These financial statements were approved by management on September 28, 1984.

Appendix

Summary of Incentive Grants for Fiscal Years Ended March 31st

	1983		Totals to Date
	$		$
Cash Incentives Paid	326,215,989.54		838,100,433.54
Incentives Accrued 1983	351,419,064.00		351,419,064.00
Reversal of 1983 accrual			(351,419,064.00)
Incentives accrued 1984			201,546,398.00
	677,635,053.54		1,039,646,831.54

NOTE: Incentives accrued represent estimated liability for Incentive Grants applied for but unpaid at the end of fiscal year.

POOR
QUALITY
ORIGINAL